

**Investment Committee**  
Board of Regents, State of Iowa

**Subject:** Investment and Cash Management Report for the Quarter Ended June 30, 2004

**Prepared by:** Andrea Anania

**Date Submitted:** September 1, 2004

**Recommended Action:**

Receive the Investment and Cash Management Report for the quarter ended June 30, 2004.

**Executive Summary:**

The Regent institutions maintain two investment portfolios — operating and endowment/Quasi-endowment. Both portfolios include restricted and unrestricted funds.

**Institutional Investment Portfolios**

Market Value (in thousands)

For the Quarters Ended June 30, 2003 and June 30, 2004

	<b><u>Operating</u></b>		<b><u>Endowment/ Quasi-Endowment</u></b>	
	<u>Jun 2003</u>	<u>Jun 2004</u>	<u>Jun 2003</u>	<u>Jun 2004</u>
University of Iowa <sup>1</sup>	\$554,600	\$572,903	\$271,439 <sup>2</sup>	\$281,112 <sup>2</sup>
Iowa State University	288,995	273,620	109,087 <sup>3</sup>	117,110 <sup>3</sup>
University of Northern Iowa	61,822	63,406	-	-
Iowa School for the Deaf	2,297	2,719	-	-
Iowa Braille & Sight Saving School	587	424	-	-
Total	<b>\$908,301</b>	<b>\$913,072</b>	<b>\$380,526</b>	<b>\$398,222</b>

<sup>1</sup> Includes UIHC.

<sup>2</sup> Includes UNI.

<sup>3</sup> Includes ISD and IBSSS.

As of June 30, 2004, the Regent combined operating and endowment portfolios total \$1.3 billion.

**Operating  
Portfolio**

The market value of the combined operating portfolios, as reported by the Regent institutions, total \$913.1 million as of June 30, 2004, and represent a point in time during operations.

The internally managed restricted operating portfolios and the two external fund managers all outperformed the Merrill Lynch 1-3 year Government/Corporate Index rate of -1.13%.

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Endowment  
Portfolio

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment/quasi-endowment portfolio, which totaled \$398.2 million for the quarter.

The University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios totaled \$189.8 million and \$117.1 million, respectively, as of June 30, 2004.

The combined investment managers' returns for the quarter were -0.02% for SUI and 0.06% for ISU, while the blended asset allocation benchmark posted returns of 0.13%.

The SUI quasi-endowment totaled \$91.3 million and returned -2.3% for the quarter ended June 30, 2004, which slightly outperformed the benchmark of -2.4%.

The ISU 1993 Trust, which had been separately invested, was combined with the ISU endowment on March 31, 2004, to reduce administrative costs. The University still maintains the Trust's separate identity within its endowment portfolio.

Wilshire reported that, for the quarter, Vanguard's net returns equaled its benchmark, Seneca's net returns underperformed its benchmark, LSV Asset Management's net returns outperformed its benchmark, Reams' net returns underperformed its benchmark, Dodge and Cox outperformed its benchmark, as did GMO Foreign Fund.

Compliance

Internal audit compliance reports for operating investment purchases and holdings of ISU, UNI and IBSSS for the quarter ended June 30, 2004, were in compliance with respective Board and institutional investment policies.

The University of Iowa indicated that compliance reports for the endowment investments and the operating portfolio investments for SUI and ISD for the quarter ended June 30, 2004 will be available at the December Investment Committee meeting.

The University of Iowa internal auditors reported that for the quarter ended March 31, 2004, investment activity was found in compliance with Board policies except:

- SUI and ISU Large Cap Index (Vanguard) and Large Cap Core (Invesco Equity) asset classes of the endowment fund were not in compliance with policy allowable ranges. This was a direct result from the transfer of the Invesco Domestic Equity portfolio into Vanguard, which was approved by the Board in February 2004.
- Wellington purchased a mortgage-backed security for SUI with a weighted-average life in excess of the sixty-three month maximum allowed by policy.

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## **Background and Analysis:**

The Board delegates the authority for monitoring institutional investment, treasury management practices, performance, and compliance with policy to the Investment Committee. The Board's policies identify broad investment strategy to be followed in the investment of the assets and any general limitations on the discretion given to the institutions' investment managers (both internal and external).

The institutions maintain two types of investment portfolios – operating and endowment. Both portfolios include unrestricted assets as well as assets restricted by donors, bond covenants, or funding agencies.

Board policy requires university internal auditors to verify operating investment transactions and holdings for compliance at their respective universities. Iowa School for the Deaf operating investments are reviewed by the University of Iowa internal auditors, while the Iowa Braille and Sight Saving School operating investments are reviewed by the Iowa State University internal auditors. The University of Iowa internal auditors also verify the endowment investment transactions and holdings for the Regent institutions.

### **Investment Policy History**

Since FY 1989, the Board has employed an investment advisor and fund managers to guide its active investments of endowment funds.

In December 2003, the Board approved an updated investment policy. (Regent Policy Manual §7.03, Investment Activity) and also moved to sever the investment relationships with Invesco and Alliance Bernstein.

The Board also agreed that the domestic equity portfolio held by Invesco would be transferred to Vanguard, the Board's large capitalization index fund manager, until a search was conducted for an active domestic equity fund manager. Fund manager interviews were conducted in the Board Office on August 26<sup>th</sup>. For more information on these interviews, see memorandum INV 3, Proposed Changes for Domestic Equity Fund Managers and Manager Allocations.

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**OPERATING  
PORTFOLIOS**

The primary goals for investment prudence of the operating portfolio include safety of principal, maintenance of liquidity to match expected liabilities, and a reasonable return. The operating portfolio is to be managed to ensure funds are available to support operational needs.

Since December 1996, the institutions have invested a portion of their unrestricted operating portfolios with BlackRock, an external fund manager. In March 2003, the Board authorized the optional use of Wellington Management Company as a short duration fixed income manager for institutional operating portfolios. The institutions manage the remaining operating funds utilizing banks and brokers services.

**Operating Portfolios**  
Market Value (in thousands)  
As of June 30, 2004

	<u>Internally Managed</u>		<u>Externally Managed</u>		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>	<u>Wellington</u>	
SUI	\$172,674	\$127,566	\$141,210	\$131,453	\$572,903
ISU	89,147	75,187	109,286	N/I	273,620
UNI	14,435	30,230	18,741	N/I	63,406
ISD	2,474	6	239	N/I	2,719
IBSSS	<u>424</u>	<u>N/I</u>	<u>N/I</u>	<u>N/I</u>	<u>424</u>
	\$279,154	\$232,989	\$269,476	\$131,453	\$913,072

Total

N/I No investments of this type.

Total rate of return measures all income and market valuation changes in the portfolios during the period. Rates of return for the quarter are provided in the following table. Table 1 on page 13 contains the rates for the current quarter and for the four previous quarters.

**Operating Portfolios**  
Quarterly Rates of Return  
For the Quarter Ended June 30, 2004

	<u>Unrestricted</u>				<u>Restricted</u>
	<u>Internal</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Combined</u>	<u>Internal</u>
SUI	0.01%	-0.84%	-1.11%	-0.59%	-0.89%
ISU	-0.02%	-0.85%	N/I	-0.48%	-0.90%
UNI	-0.99%	-0.84%	N/I	-0.91%	-0.96%
ISD	0.41%	-0.85%	N/I	0.30%	0.27%
IBSSS	0.24%	N/I	N/I	0.24%	N/I

N/I No investments of this type.

The comparable industry standard rate of return for the quarter ended June 30, 2004, includes the Merrill Lynch 1-3 year Government/Corporate Index rate of -1.13%.

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**Operating Investment Portfolios Summary**  
Unrestricted, Restricted, BlackRock, and Wellington  
For the Quarter Ended June 30, 2004

	<u>Market Value</u>	<u>Percent Market Value</u>
<b>University of Iowa</b>		
Money Market / Cash Equivalents	\$219,201,669	38.3%
U.S. Obligations	141,055,383	24.6%
Agency Securities	100,707,588	17.6%
Corporate Notes and Bonds	110,575,107	19.3%
Municipals	<u>1,363,275</u>	<u>0.2%</u>
Total	\$572,903,022	100.0%
<b>Iowa State University</b>		
Money Market / Cash Equivalents	\$77,524,047	28.3%
U.S. Obligations	111,898,150	40.9%
Agency Securities	56,779,014	20.8%
Corporate Notes and Bonds	26,948,014	9.8%
Municipals	<u>470,839</u>	<u>0.2%</u>
Total	\$273,620,064	100.0%
<b>University of Northern Iowa</b>		
Money Market / Cash Equivalents	\$9,216,446	14.6%
U.S. Obligations	20,338,521	32.0%
Agency Securities	28,874,171	45.6%
Corporate Notes and Bonds	4,897,694	7.7%
Municipals	<u>79,299</u>	<u>0.1%</u>
Total	\$63,406,131	100.0%
<b>Iowa School for the Deaf</b>		
Money Market / Cash Equivalents	\$2,480,531	91.2%
U.S. Obligations	137,734	5.0%
Agency Securities	41,131	1.5%
Corporate Notes and Bonds	59,025	2.2%
Municipals	<u>1,031</u>	<u>0.1%</u>
Total	\$2,719,452	100.0%
<b>Iowa Braille &amp; Sight Saving School</b>		
Money Market / Cash Equivalents	\$14,838	3.5%
Repurchase Agreements	<u>409,125</u>	<u>96.5%</u>
Total	\$423,963	100.0%
<b>Regent Composite</b>		
Money Market / Cash Equivalents	\$308,437,531	33.8%
U.S. Obligations	273,429,788	29.9%
Agency Securities	186,401,904	20.4%
Corporate Notes and Bonds	142,479,840	15.6%
Municipals	1,914,444	0.2%
Repurchase Agreements	<u>409,125</u>	<u>0.1%</u>
Total	\$913,072,632	100.0%

The top three investment categories for the combined Regent operating portfolios included Money Market / Cash Equivalents, U.S. Obligations, and Agency Securities.

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**ENDOWMENT/  
QUASI-ENDOWMENT  
PORTFOLIOS**

Two primary endowment portfolios are maintained — the University of Iowa and Iowa State University. The University of Northern Iowa endowment portfolio is invested through the University of Iowa. The Iowa School for the Deaf and Iowa Braille and Sight Saving School endowment portfolios are invested through Iowa State University.

In recognition of their long-term charter, the Board's investment policy indicates that these funds shall be managed actively with the intention of obtaining the highest possible total return while accepting only prudent risk. These funds are to be managed to maintain and preserve, over time, the real value of the funds and shall consist of a prudent, diversified investment portfolio.

The Board of Regents employs an investment advisor and money managers to guide its policy of active, diversified investment management. Wilshire Associates has been the investment advisor to the Board and Regent institutions since May 1996.

Wilshire Associates assists with the evaluation of the Board's investment policies and provides quarterly endowment portfolio summary reports which review the allocation of endowment assets relative to the Board's policies, compare the returns of the portfolios to the established benchmarks, and evaluate individual fund manager performance.

The Board authorized the following fund managers for the Regent endowment portfolios (Listed by total market value. See page 13 for values):

*Vanguard*, authorized by the Board in September 2002, manages a large capitalization index portfolio.

*Reams Asset Management*, a market core fixed income manager, began handling SUI quasi-endowment funds in July 2001. In January 2002, the Board authorized the use of Reams for institutional endowments.

*Dodge & Cox*, a fixed income manager, was authorized by the Board in February 2004.

*Seneca Capital Management* has managed U.S. stock portfolios with a mid-capitalization growth orientation since May 1995.

*Grantham, Mayo, Van Otterloo & Co. (GMO Foreign Fund)*, an international equity fund manager, was authorized by the Board in February 2004.

*LSV Asset Management*, authorized by the Board in January 2002, manages small value domestic stock portfolios.

The Board moved to sever its investment relationships with Alliance Bernstein and Invesco in December 2003. The majority of the transition to new fund managers took place during the quarters ended March 31 and June 30, 2004. The residual balance with Alliance Bernstein is expected to be totally liquidated during the next quarter.

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**ALLOCATION OF  
ENDOWMENT  
ASSETS**

The Investment Committee expects the endowments to be maintained close to the established asset allocation targets and periodically reviews its investment structure.

The Board approved specific manager allocations and ranges to assist institutional officials in maintaining the Board's asset allocation policy.

**Asset Allocation  
Policy**

Institutional officials are authorized to maintain the appropriate portfolio asset allocations, and if, at the end of a quarter, rebalancing is required, the institutional officials are to rebalance the portfolio during the following quarter.

**Asset Allocation Policy**

	<u>Target Range</u>	<u>Range</u>
Domestic Stocks (US equities)	63%	+/-5%
Domestic Bonds (US fixed income)	30%	+/-5%
International Stocks (foreign equities)	7%	+/-3%

The Board's target range for the asset allocation is plus or minus 5% of the established asset allocation policy for domestic equities and fixed income and plus or minus 3% for international equities.

**Manager Allocation  
Policy**

The following manager allocations, adopted by the Board in January 2002, generate the target endowment asset allocation when all managers are at policy targets (rounded to the nearest percent). The manager targets are designed to maintain the allocations within general allocation policy.

In February 2004, the Board allowed the institutions a choice on whether they split their endowment fixed income portfolios based on the relative size and risk of the portfolios.

**Asset and Manager  
Allocations**

<u>Manager</u>	<u>Style</u>	<u>Policy</u>	<u>Target Ranges</u>
Domestic Stocks (equities)			
(Not yet selected)	Large Core	35%	+/-5%
Vanguard	Large Index	13%	+/-3%
Seneca	Mid Growth	10%	+/-2%
LSV Asset Management	Small Value	<u>5%</u>	+/-2%
Total		63%	+/-5%
Domestic Bonds (fixed income)			
Reams	Core	15%	+/-5%
Dodge & Cox	Core	<u>15%</u>	+/-5%
Total		30%	+/-5%
International Stocks			
GMO Foreign Fund	Value	<u>7%</u>	+/-3%
Total		7%	+/-3%
Total Fund		100%	

Endowment  
Allocations

**Endowment Allocations**

Net of Fees  
June 30, 2004

	<u>University of Iowa</u>		<u>Iowa State University</u>	
MANAGER	Value (thousands)	Value (percent)	Value (thousands)	Value (percent)
<u>Domestic Stocks</u>				
Vanguard	\$90,475	47.7%	\$57,389	49.0%
Seneca	18,617	9.8%	13,713	11.7%
LSV Asset Mgmt.	<u>10,844</u>	<u>5.7%</u>	<u>7,221</u>	<u>6.2%</u>
Subtotal	\$119,936	63.2%	\$78,323	66.9%
<u>Domestic Bonds</u>				
Reams	\$27,914	14.7%	\$15,628	13.3%
Dodge and Cox	<u>28,218</u>	<u>14.9%</u>	<u>14,618</u>	<u>12.5%</u>
Subtotal	\$56,132	29.6%	\$30,246	25.8%
<u>International</u>				
Alliance Bernstein	\$36	0.0%	\$21	0.0%
GMO Foreign Fund	<u>13,652</u>	<u>7.2%</u>	<u>8,520</u>	<u>7.3%</u>
Subtotal	\$13,688	7.2%	\$8,541	7.3%
Total Fund	\$189,756	100.0%	\$117,110	100.0%

*Assets are shown as invested.*

Asset and manager allocations for the endowment portfolios were within the Board-established target ranges.

SUI Quasi-  
Endowment

The quasi-endowment fund is 100% fixed income investments.

**University of Iowa – Quasi-Endowment (100% Fixed Income)**

June 30, 2004

	Value (thousands)	Value (percent)	<u>Returns</u>			
			<u>Quarter</u>		<u>One Year</u>	
			<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Reams	\$46,084	50.4%	-2.5%	-2.6%	1.7%	1.6%
Dodge and Cox	<u>45,272</u>	<u>49.6%</u>	-2.1%	-2.1%		
Total Fund	\$91,356	100.0%				
100% Lehman Aggregate.				-2.4%		0.3%

There are no Board-established fund manager allocations target ranges for the quasi-endowment. Reams' net returns underperformed the benchmark of -2.4% for the quarter and outperformed the benchmark of 0.3% for the year. Dodge and Cox's net returns outperformed the benchmark for the quarter. This is the first full quarter with Dodge and Cox.



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**ENDOWMENT  
PERFORMANCE**

The following table compares the returns of the endowment portfolios for the period ended June 30, 2004, with the established benchmarks.

**Endowment Portfolios**

Net of Fees

As of June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u>	
		<u>Quarter</u>	<u>One Year</u>
SUI	\$189,756	-0.02%	13.5%
ISU	117,110	0.06%	14.0%
Asset Allocation Benchmark*		0.13%	15.5%
SUI Quasi-Endowment	<u>91,356</u>	-2.3%	0.8%
Fixed Income Benchmark **		-2.4%	0.3%
Total	\$398,222		

\* 63% Wilshire 5000, 30% Lehman Aggregate, 7% MSCI EAFE (N).

\*\* 100% Lehman Aggregate.

*University of Iowa  
Endowment*

The University of Iowa endowment assets totaled \$189.8 million as of June 30, 2004, a \$2.4 million decrease from the previous quarter. For the quarter ended June 30, 2004, investment gains totaled \$9,000, total contributions equaled \$103,000, and total distributions and fees amounted to \$2.7 million.

The endowment assets held by the University of Iowa earned a return of -0.02% for the quarter, underperforming the benchmark return of 0.13%. Returns for the endowment over the one-year period were 13.5%, which underperformed the benchmark of 15.5%.

*University of Iowa  
Quasi-Endowment*

The University of Iowa quasi-endowment assets totaled \$91.4 million as of June 30, 2004, a \$3.1 million decrease from the previous quarter. For the quarter ended June 30, 2004, investment losses totaled \$2.2 million, total contributions totaled \$17,000, and distributions and fees amounted to \$1.3 million.

The quasi-endowment earned a return of -2.3% for the quarter, slightly outperforming the benchmark of -2.4%. The return of 0.8% for the year outperformed the benchmark of 0.3%.

*Iowa State  
University  
Endowment*

Iowa State University endowment assets totaled \$117.1 million as of June 30, 2004, a \$3.4 million decrease from the previous quarter. For the quarter, investment gains totaled \$69,000, while total distributions and fees were \$3.5 million. Total contributions totaled \$92,000.

The Iowa State University endowment assets earned a return of 0.06% for the quarter, underperforming the policy benchmark return of 0.13%. The one-year return for ISU was 14.0%, which underperformed the benchmark of 15.5%.

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**Vanguard**  
June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u>			
		<u>Quarter</u>		<u>One Year</u>	
		<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
SUI	\$90,475	1.7%	1.7%	18.9%	18.9%
ISU	<u>57,389</u>	1.7%	1.7%	19.1%	19.0%
Total	\$147,864				
Benchmark: S&P 500			1.7%		19.1%

Vanguard  
Performance

Vanguard is a large cap index fund manager that was approved by the Board in September 2002 to provide diversification.

Net returns for the quarter for both SUI and ISU equaled the S&P 500 benchmark of 1.7%. Net returns for the year underperformed the benchmark of 19.1%.

**Reams Asset Management**  
June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u>			
		<u>Quarter</u>		<u>One Year</u>	
		<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
SUI	\$27,914	-2.6%	-2.6%	1.7%	1.5%
SUI – Quasi-Endowment	46,084	-2.5%	-2.6%	1.7%	1.6%
ISU	<u>15,628</u>	-2.5%	-2.6%	1.6%	1.5%
Total	\$89,626				
Benchmark: Lehman Aggregate			-2.4%		0.3%

Reams  
Performance

For the quarter, net returns were -2.6% for the SUI endowment, the SUI quasi-endowment, and for the ISU endowment. All three slightly underperformed the Lehman Aggregate benchmark of -2.4%.

For the year, net returns were 1.5% for the SUI and the ISU endowments and 1.6% for the SUI quasi endowment. All three outperformed the Lehman Aggregate benchmark of 0.3%.

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**Dodge and Cox**

June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u> <u>Quarter</u>	
		<u>Gross</u>	<u>Net</u>
SUI	\$28,218	-2.1%	-2.1%
SUI – Quasi-Endowment	45,272	-2.1%	-2.1%
ISU	<u>14,618</u>	-2.1%	-2.1%
Total	\$88,108		
Benchmark: Lehman Aggregate			-2.4%

**Dodge and Cox  
Performance**

Dodge and Cox was authorized by the Board in February 2004. For the quarter, net returns for all three endowments were -2.1%, which slightly outperformed the benchmark of -2.4 %

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**Seneca Capital Management**

June 30, 2004

	<u>Assets</u> (thousands)	<u>Quarter</u>		<u>Returns</u> <u>One Year</u>		<u>Three Years</u>	
		<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
SUI	\$18,617	-2.3%	-2.5%	12.5%	11.7%	-8.1%	-8.9%
ISU	<u>13,713</u>	-2.1%	-2.3%	12.1%	11.3%	-8.7%	-9.5%
Total	\$32,330						
Benchmark: Russell 2500 Growth			0.1%		30.1%		0.2%

**Seneca  
Performance**

Seneca Capital Management manages U.S. equity portfolios with a mid-capitalization growth orientation.

For the quarter, Seneca Capital Management net returns were -2.5% for the SUI endowment, and -2.3% for the ISU endowment. These returns underperformed the Russell 2500 Growth Index return of 0.1%.

For the one-year period, Seneca Capital Management net returns were 11.7% for SUI, and 11.3 % for ISU. One-year returns significantly underperformed the Russell 2500 Growth Index of 30.1%. Three-year net returns significantly underperformed the Russell 2500 Growth Index of 0.2%.

Wilshire reported that stock selection within the consumer discretionary, information technology, and financials and health care sectors primarily contributed to the underperformance for the quarter. Overweighting to the consumer discretionary sector detracted from performance while underweighting to financials positively impacted performance.

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**GMO Foreign Fund**

June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u> <u>Quarter</u>	
		<u>Gross</u>	<u>Net</u>
SUI	\$13,652	0.7%	0.7%
ISU	<u>8,520</u>	0.7%	0.7%
Total	\$22,172		
Benchmark: MSCI EAFE Index (N)			0.2%

GMO Foreign Fund  
Performance

For the quarter, a net return of 0.7% for both the SUI and ISU endowments outperformed the benchmark of 0.2%. This is the first quarter for GMO Foreign Fund.

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**LSV Asset Management**

June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u>			
		<u>Quarter</u>		<u>One Year</u>	
		<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
SUI	\$10,844	1.2%	1.1%	31.1%	30.7%
ISU	<u>7,221</u>	1.5%	1.4%	31.0%	30.7%
Total	\$18,065				
Benchmark: Russell 2500 Value			0.5%		33.9%

LSV Asset Mgmt.  
Performance

LSV Asset Management has managed small value domestic stocks since January 2002.

Net returns for the quarter outperformed the Russell 2500 Value benchmark of 0.5%, while net returns for the year underperformed the benchmark of 33.9%.

Wilshire reported that underweighting to financials and stock selection within the financials and energy sectors contributed to the outperformance.

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**Alliance Bernstein**

June 30, 2004

	<u>Assets</u> (thousands)	<u>Returns</u>			
		<u>Quarter</u>		<u>One Year</u>	
		<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
SUI	\$36	--	--	--	--
ISU	<u>21</u>	--	--	--	--
Total	\$57				
Benchmark: MSCI EAFE Index (N)					

Alliance Bernstein  
Performance

Alliance Bernstein is no longer a fund manager for the Board of Regents. The residual balance with Alliance Bernstein is expected to be totally liquidated during the next quarter.

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**Table 1**  
**Operating Portfolios**  
**Quarterly Rates of Return**

*Unrestricted Funds (Internal)*

	<u>6/30/03</u>	<u>9/30/03</u>	<u>12/31/03</u>	<u>3/31/04</u>	<u>6/30/04</u>
University of Iowa	0.56%	0.32%	0.17%	0.43%	0.01%
Iowa State University	0.44%	0.40%	0.37%	0.48%	-0.02%
University of Northern Iowa	0.78%	0.10%	0.23%	0.62%	-0.99%
Iowa School for the Deaf	0.41%	0.42%	0.42%	0.41%	0.41%
Iowa Braille & Sight Saving School	0.30%	0.25%	0.24%	0.24%	0.24%

*Restricted Funds (Internal)*

	<u>6/30/03</u>	<u>9/30/03</u>	<u>12/31/03</u>	<u>3/31/04</u>	<u>6/30/04</u>
University of Iowa	0.89%	-0.13%	0.22%	1.01%	-0.89%
Iowa State University	0.75%	0.17%	0.05%	1.04%	-0.90%
University of Northern Iowa	0.95%	0.21%	0.01%	1.19%	-0.96%
Iowa School for the Deaf	0.51%	0.42%	0.38%	0.47%	0.27%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

*BlackRock*

	<u>6/30/03</u>	<u>9/30/03</u>	<u>12/31/03</u>	<u>3/31/04</u>	<u>6/30/04</u>
University of Iowa	1.05%	0.42%	0.15%	1.06%	-0.84%
Iowa State University	1.05%	0.45%	0.15%	1.00%	-0.85%
University of Northern Iowa	1.03%	0.47%	0.14%	1.03%	-0.84%
Iowa School for the Deaf	1.00%	0.45%	0.15%	1.00%	-0.85%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

*Wellington*

	<u>6/30/03</u>	<u>9/30/03</u>	<u>12/31/03</u>	<u>3/31/04</u>	<u>6/30/04</u>
University of Iowa	N/I	0.40%	0.35%	1.38%	-1.11%

N/I = No investments of this type.

**Table 2**  
**Endowment / Quasi-Endowment Portfolios**

Market Value - Accrual Basis  
(In thousands)  
June 30, 2004

Portfolio Manager	Endowment Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Vanguard				
SUI	\$90,475	-	\$90,475	
ISU	<u>57,389</u>	-	<u>57,389</u>	
Total	\$147,864	-	\$147,864	37.1%
Reams Asset Mgmt.				
SUI	\$27,914	\$46,084	\$73,998	
ISU	<u>15,628</u>	-	<u>15,628</u>	
Total	\$43,542	\$46,084	\$89,626	22.5%
Dodge and Cox				
SUI	\$28,218	\$45,272	\$73,490	
ISU	<u>14,618</u>	-	<u>14,618</u>	
Total	\$42,836	\$45,272	\$88,108	22.1%
Seneca Capital Mgmt.				
SUI	\$18,617	-	\$18,617	
ISU	<u>13,713</u>	-	<u>13,713</u>	
Total	\$32,330	-	\$32,330	8.1%
GMO Foreign Fund				
SUI	\$13,652	-	\$13,652	
ISU	<u>8,520</u>	-	<u>8,520</u>	
Total	\$22,172	-	\$22,172	5.6%
LSV				
SUI	\$10,844	-	\$10,844	
ISU	<u>7,221</u>	-	<u>7,221</u>	
Total	\$18,065	-	\$18,065	4.5%
Alliance Bernstein				
SUI	\$36	-	\$36	
ISU	<u>21</u>	-	<u>21</u>	
Total	57	-	\$57	0.1%
TOTAL				
SUI	\$189,756	\$91,356	\$281,112	
ISU	<u>117,110</u>	-	<u>117,110</u>	
Total	\$306,866	\$91,356	\$398,222	100.0%

<b>Table 3</b> <b>Principal Demutualization Funds</b> (In thousands) June 30, 2004	
SUI	\$45,746
ISU	25,258
UNI	7,340
ISD	301
IBSSS	174
Board Office	<u>51</u>
Total	\$78,870

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